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S E C R E T SECTION 01 OF 03 SHANGHAI 000422

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DEPT FOR EAP/CM, INR/B AND INR/EAP
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E.O. 12958: DECL: X1 MANUAL REVIEW

TAGS: [PGOV](#) [PINR](#) [EINV](#) [ECON](#) [CH](#)

SUBJECT: EAST CHINA--MORE POLITBURO RUMORS AND LEADERSHIP TIDBITS

REF: A) SHANGHAI 379; B) SHANGHAI 225

CLASSIFIED BY: Simon Schuchat, Deputy Principal Officer, U.S.
Consulate , Shanghai .
REASON: 1.4 (b), (d)

11. (C) Summary: East China contacts reported that Vice President Zeng Qinghong had submitted his resignation to the Politburo Standing Committee (PBSC). Current speculation was that not only would Zeng step down, but that all but two or three of the current nine PBSC members would retire, possibly including Premier Wen Jiabao. Despite possible personnel changes, however, the Strategic Economic Dialogue (SED) process would likely remain on track. Meanwhile, President Hu Jintao was busy in the provinces, arranging the recent Party Secretary reshuffles in Shanghai and Zhejiang and a pending transfer to Beijing for Jiangsu Party Secretary Li Yuanchao. End summary.

Zeng's Out, Wu's In?

12. (S) During a June 25 meeting, Nanjing University Professor Gu Su confirmed press reports that Vice President Zeng Qinghong had, indeed, submitted his resignation (Ref A). He said that Hu had told Zeng that he would not be allowed to violate the so-called "seven up, eight down" rule "requiring" PBSC members to retire if they turned 68 prior to a party congress. During a June 26 meeting, Tongji University Professor Frank Peng assessed that Vice Premier Wu Yi was a likely choice to fill Zeng's slot. He noted that there were no "rules" when it came down to it, and that if Hu really wanted to, he could find a way around the age issue in Wu Yi's case. Gu, on the other hand, believed Wu would likewise be forced out over the age issue, but that she would continue to be in charge of the economy "for a while" from behind the scenes.

PBSC: Only Two to Stay, and One is not Wen?

13. (S) Peng said that it was possible that only two people would be staying on the PBSC--Hu Jintao and legislative chief Wu Bangguo. He had heard that Premier Wen Jiabao had recently

submitted his resignation. Some of the party elders had accused Wen of being "weak" on foreign policy, especially regarding Japan, foreign exchange issues, and RMB revaluation. (Comment: Even if it is true that Wen submitted his resignation, it is not clear if it has been accepted. Former Premier Zhu Rongji likewise reportedly submitted his resignation several times to the PBSC, only to have it rejected. End comment.) Peng said that the most likely candidates to succeed Wen as Premier, either this fall or in 2012 were Minister of Commerce Bo Xilai and Beijing Mayor Wang Qishan.

14. (S) Gu noted that PBSC member and propaganda chief Li Changchun was also in danger of losing his job despite his relative youth. As a member of the so-called "Shanghai Gang" headed by former president Jiang Zemin, Li was the target of many within the party's the "anti-Jiang" faction. These people were using Li's ties to organized crime in Henan and Liaoning provinces to try and push him out. Gu said that Li has submitted his resignation to the PBSC "almost every two months."

15. (C) During a July 6 discussion, Shanghai Municipal People's Congress (SMPC) researcher Zhou Meiyan said that it was unclear whether Hu would designate a successor at this Party Congress. She said that some in Beijing were saying that Hu might follow the Vietnam model of having more than one candidate and allowing the Party Congress to decide on the next Party Secretary. Zhou said that if more than one person eligible for two terms under the "seven up, eight down" rule were "helicoptered" to the PBSC this fall, it would be a clear indication that Hu was planning to allow a vote to take place.

16. (C) Gu said that currently, everything was up in the air regarding personnel decisions and would not be resolved until the Party Congress. He did say, however, that the one thing that was certain was that the Shanghai Faction would be gutted. Gu added that Jiang's influence was "over."

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Why Wu Bangguo?

17. (C) Zhou said that Wu Bangguo's political continuance was baffling to everyone she knew. Wu was definitely not tied into Jiang's faction, despite having come up through the Shanghai bureaucracy. Whereas Wen Jiabao appeared to be more of a political liberal and Hu Jintao appeared to be more of a political neutral, Wu Bangguo represented the conservative element of the party in the current top leadership trifecta. Wu's rollbacks and criticisms of local People's Congress initiatives and comments such as his recent statement that Hong Kong only had as much self-governance as Beijing allowed, showed that Wu was much more conservative than Wen or Hu.

18. (C) Zhou and her colleagues had discussed this question multiple times in the past and concluded that Wu had risen to the top primarily because of two factors. First, Wu, along with Hu Jintao, had been identified by Deng Xiaoping shortly after Tiananmen as one of the core leaders of the party's Fourth Generation. Second, Wu was the least threatening of all the senior leaders to Hu's position. Wu had virtually no personal network, lacked any real personal power, appeared to have no living senior backers, and was the most willing to obey Hu's line. Zhou added that most folks in the SMPC "hated" Wu. His name could also be (and frequently was) homophonically written to mean "mistaken help to the nation" or "no help to the nation."

Leadership Constant on the SED

19. (C) During a June 25 discussion, Director of Jiangsu Academy of Social Sciences Office of Research and Coordination Sun Keqiang opined that even though the players might change as a result of the 17th Party Congress, the Strategic Economic

Dialogue (SED) process would not. According to Gu, all government positions would be announced by December, clearing up confusion over who the SED interlocutors would be. Minister of Commerce Bo Xilai would likely take over as the point of contact for the SED. However, Wu Yi would still be "calling the shots" for a time. Gu said that some of his contacts in Beijing were saying Bo might take over as Executive Vice Premier from the recently deceased Huang Ju. Bo, Gu assessed, was similar to Jiangsu Party Secretary Li Yuanchao in his thinking and open-mindedness. Bo was also a very knowledgeable official, according to Gu.

Li Yuanchao: The Teflon Candidate

¶10. (C) According to Gu, Jiangsu Party Secretary Li Yuanchao had not been hurt by recent scandals, including pollution in Lake Tai, China's third-largest freshwater lake and supplier of drinking water to a large percentage of East China residents. Gu said that Li had physically moved his office to Wuxi for a week or two to show his concern over Lake Tai and environmental protection. Li also invited scholars from Shanghai, Beijing, and Nanjing to the region to advise him on how to resolve the issue. Li's rapid handling of the situation would leave little room for critics to undermine his chances at promotion. Gu assessed that Li remained a top candidate to eventually replace Hu Jintao as Party Secretary. Gu noted that Hu Jintao had a definite plan for the Jiangsu leadership and that Li's pending promotion to Beijing was part of it.

Hu Behind Recent East China Personnel Moves

¶11. (C) Zhou said that Shanghai Party Secretary Xi Jinping would definitely be getting a seat on the Politburo at the Party Congress. She noted that Xi had been transferred to Shanghai in part due to his relations with Hu Jintao. Hu, Zhou said, owed his position as General Party Secretary in large measure to support from Xi's father, party elder Xi Zhongxun, who had supported Hu early on in his career and recommended him for advancement. Xi Jinping's promotion was partial payback for his

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father's support. Zhou added that Hu had also been responsible for promoting Zhao Hongzhu as Zhejiang Party Secretary to replace Xi. Zhao, Zhou said, was a member of the so-called "Communist Youth League Faction" and was close to Hu.

Chen's Son, Fake Passports, Bad Police, and DICs

¶12. (C) Zhou noted that Chen Liangyu's son had fled the country, traveling first to Australia and then to either Europe or the United States. She noted that no one had been able to figure out where he ultimately ended up. He had made his escape utilizing one of a number of false passports that he held. It was a common practice for the family members of Chinese leaders to hold multiple passports under different names to facilitate travel for just such a purpose.

¶13. (C) Zhou said that it was easy for leaders to get false documents because the heads of the Public Security organs, which issued the documents, were answerable to the local leadership. Family members could either get documents with a completely fictitious name, or at times they would use the name of another local person to procure documents. The documents themselves could not be identified as forged because they were officially issued.

¶14. (C) Zhou noted that while the Public Security organs might engage in illegal activities at times at the behest of local leaders, they were still somewhat constrained, being subject to both government and People's Congress oversight. Discipline

Inspection Commissions (DIC) on the other hand, were the party's investigative arm and reported to virtually no one. Only if the local party secretary was not corrupt was there a modicum of oversight. However, given that clean party bosses were few and far between, even this measure was often lacking. Zhou assessed that these oversight organizations were some of the most corrupt in China's bureaucracy with little separating them at times from organized crime.

¶15. (C) She described a recent case in Hunan Province where a municipal level DIC head had been found to be abusing the "Double Restriction" (Shuang Gui) detention system (Note: Shuang gui refers to the party's detention method of informing someone to report at a given time to a given location, afterwards they are put under house arrest. For more information on the "shuang gui" system, see Ref B. End note.). The DIC head would put wealthy individuals under double restrictions until they agreed to pay ransom. He also provided participating local businesses with a sign that they could paste on their storefront for a regular fee that would protect them from any "unpleasantness" that might otherwise arise. In one particularly egregious case, the DIC head ordered the local high court to rule in favor of one of his relatives in a law suit. When the judge failed to comply, the DIC head placed him and another judge under double restrictions and threatened to arrest a third unless he overturned the verdict.

Bio Comment

¶16. (C) According to the Consul General, who attended a June 23 event commemorating the Hopkins-Nanjing Center 20 year anniversary with Li Yuanchao, Li came across as a self confident official with a "nice style" who came across as "down to earth." Li also spoke decent English. During the event, Li began delivering his remarks in English, without any text, for the first couple of minutes before switching to Chinese, noting that it would not be appropriate for someone of his current status to speak all in English. Li did not wear an earpiece during the simultaneous interpretation portions of the event.
JARRETT